

Flourishing Citizenship-by-Investment Business: "The boom goes beyond everything we have seen before"

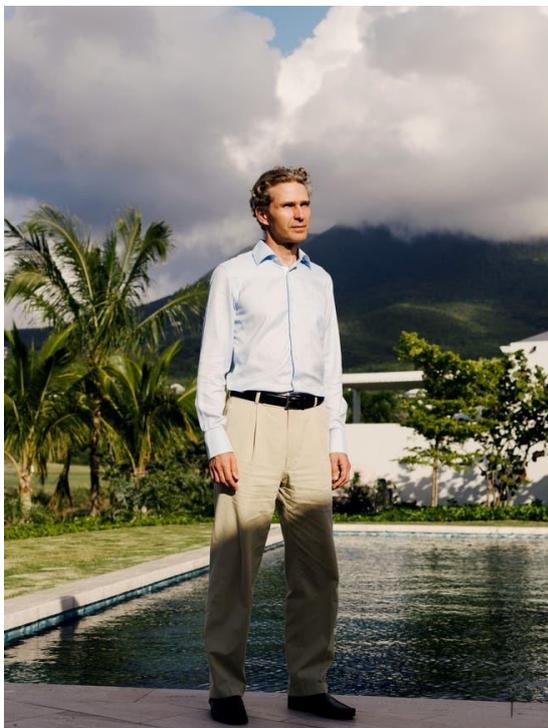
Demand for citizenships has exploded since Corona. Swiss lawyer Christian Kälin is considered the "Passport King" — he provides insight into a business worth \$25 billion.

Albert Steck 02 Oct 2021, 9:45 pm

About the person

Christian H. Kälin

The 49-year-old Swiss lawyer is Chairman and partner of Henley & Partners, the market leader in residence and citizenship by investment. Kälin holds a doctorate in law from the University of Zurich. Already in his doctoral thesis, he dealt with the granting of citizenship to investors and recognized the economic potential. He is the author of several standard works on the subject and co-editor of the "Quality of Nationality Index," a globally respected country ranking.



Christian Kälin advises numerous governments, including St. Kitts and Nevis.

NZZ am Sonntag: You advise on residence permits and citizenships with your company Henley & Partners. Who needs your service?

Christian Kälin: As a Swiss, you do not realize how valuable your citizenship is. It's quite different for people living in South Africa, for example. We help them improve their mobility and security. The Corona pandemic has also massively increased demand. Many people are now thinking about where they want to spend their next lockdown.

How strong is the post-pandemic growth?

The recent boom dwarfs anything we have seen before. We are seeing 50 percent more client inquiries. Above all, demand is coming from completely new segments, for example from Italy or the USA. Because of Corona, borders were closed worldwide. In Europe, too, the free movement of people was stopped. That was a shock for many people. Only with a second passport or a residence permit did your personal freedom remain intact.

Political tensions are increasing worldwide. Do you feel that as well?

Political uncertainty is another factor: as an American, I would rather not show my U.S. passport when I check into a hotel or airport in many regions.

However, only rich people can afford an additional passport or a "Golden Visa". Are you promoting a two-class society?

This accusation comes up regularly. Of course, we also have very rich clients. But most of them live in fairly middle-class circumstances. In the Caribbean, for example, you can acquire a second citizenship for the whole family for \$100,000 to \$150,000. I know families for whom a passport is so important that they have spent half of their liquid funds on it.

Nevertheless, the system leads to a new injustice.

This argument is absurd. Citizenship is inherently unjust. It is actually a legacy from the feudal era: either I am well-born, for example as a Swiss, or I am, for example, from Afghanistan and as a result have much worse cards in life. It doesn't get any more unfair than that. Those who were able to grow up in a civilized society were simply lucky.

Do you think it would be better if passports became a question of money?

There are already many paths to citizenship. If you have talent in a field, you can get a visa very quickly. Athletes or artists, for example, benefit from this. The same is true when there is a shortage of labor. Australia is urgently looking for good doctors and nurses. Our work reduces this injustice when we help someone obtain a second citizenship or residence permit.

Your criticism of the citizenship system seems radical: do you want to abolish this important pillar of our political constitution?

Switzerland's direct democracy is a special case that cannot be compared to other countries. Such a say in politics does not exist anywhere else. On the contrary, most people in the world live in autocratically governed states. A citizen in Vietnam, for example, has mainly duties, but hardly any real political rights. Even in Western democracies, people see their citizenship primarily as a cost-benefit calculation: How much do I pay in taxes? And what do I receive in the form of social benefits and infrastructure? By contrast, having a political say is much less important than people think.

You are the pioneer in the "Golden Visa" business - and are referred to as the "Passport King". How did that come about?

The term "Passport King" came from Bloomberg, and since then I've been identified with the industry. But actually the practice is ancient. Already in the Bible, the apostle Paul is asked by

the Roman officer during his arrest whether he is a Roman. The officer tells him that he bought his nationality for a lot of money.

How did your company manage to lead the industry so clearly?

In 2006, we were mandated by the Government of St. Kitts and Nevis to build a scalable citizenship by investment program. As a result of our work, this became the most successful in the world.

It has funded the state for up to one-third of all revenue.

This money saved St. Kitts and Nevis from ruin. The collapse of the sugar industry and the subsequent financial crisis hit the country hard. Instead, it has since experienced a strong upswing. Its success has prompted many countries around the world to also introduce such programs.

But the boom has also led to criticism. One criticism is the low level of transparency: those who acquire a visa or a passport usually remain hidden.

I am in favor of openness: Countries should declare who is obtaining citizenship. Then everyone can see that no problems arise from this. But in Malta, of all places, where the criticism has been loudest, the program is particularly transparent. There, all names are published. Other countries, such as Austria, are less open.

These programs are sometimes also associated with money laundering or corruption. This damages the reputation of your industry.

Such accusations have no factual basis. The proportion of problematic individuals is significantly lower than among other migrants. In the countries of the EU, 700,000 people are naturalized every year, while only about 1,000 people receive a passport each year through the programs in Malta, Austria or Cyprus. And these are thoroughly vetted — quite contrary to the other 99%.

But in the case of "golden visas", the numbers are much higher.

That's right, in Spain, Portugal or Greece there are a few tens of thousands. But again, these are very carefully screened investors. By way of comparison, Poland alone issues 750,000 residence permits every year — mainly to workers, 90% of whom are Ukrainians. The risk of abuse is much greater here.

Regardless, the EU regularly criticizes the "golden visa" programs.

Already two-thirds of EU countries have such programs — and they are met with great demand. This is the reality. The EU is making a mistake if it ignores these facts. Moreover, it has no right to interfere in the allocation of citizenship. Only the respective EU member states have competence in citizenship matters.

Are estimates that the market has already reached a global volume of 25 billion dollars correct?

That's about right. In Greece, for example, the program has helped stabilize the real estate market. So the EU should recognize that many member countries are benefiting greatly, and so is the EU as a whole.

Your firm, Henley & Partners, is active on both sides: you help clients obtain a visa or passport. You also advise countries on setting up programs. Which countries do you support?

First of all, there are several countries in the Caribbean. In Europe, Malta or Greece are among those we advise. In Asia, Thailand has commissioned us to market their residence program worldwide. We are also active in Australia. States and private clients each contribute about half of our earnings. We are active in over 35 locations worldwide.

Among the private clients, there are many Chinese, Russians or Turks - people from autocratically governed countries. Don't you undermine the power of these governments when you help people to emigrate?

For the Chinese, dual citizenship is not allowed; for them, only residence permits come into consideration. But the trend is going in the other direction: more and more countries are allowing a second passport, and now about two-thirds do.

Let's talk about Switzerland: it is very easy for EU citizens to get a residence permit. In contrast, the hurdles for people from the rest of the world are much higher. Do you think this is a good thing?

In fact, a residence permit for non-EU citizens is very expensive. They either have to invest here or pay high taxes - around 250,000 francs per year. But Switzerland is attractive. That's why this system makes sense.

How does an American come to Switzerland anyway?

For an American it may be worthwhile to first acquire citizenship of Malta. After that, you are an EU citizen and can move to Switzerland without any problems. For this reason, a disproportionate number of immigrants from Malta or Cyprus appear in the statistics. Montenegro is also gaining in popularity, because the country could one day join the EU and a second passport costs less there.

You are not only professionally involved with migration, but also as a philanthropist. Why do you support projects for refugees?

Where you are born determines your entire future life — wealth and health. This "lottery of birth" has preoccupied me since childhood. The Andan Foundation, which I established, helps refugees to start a new existence. We are also planning to build a city for refugees.

As a counter-model to today's refugee camps?

Camps cost a lot of money and still don't provide a dignified life. That's why we want to build a city that offers refugees a secure legal framework and is self-governed by them. Here, people should be able to build a new life, just as European emigrants did in the U.S. in the past, for example. The plan is ambitious, but we have to try.

You travel a lot. How many passports do you have yourself?

I have a few, but I don't want to reveal more. I spend most of my time in London. Nevertheless, I remain a Switzerland fan, the Swiss passport is the most important one for me.

Ambitious Project: A Model City for Refugees

The number of refugees in the world has doubled in just ten years. The UN now registers more than 80 million people who have been forcibly displaced. A large proportion of these refugees live locked up in camps — and not just temporarily. On average, residents spend 17 years of their life in such a camp.

Christian Kälin demands that politicians fundamentally change the way they deal with refugees. "Today, they are primarily considered a cost factor — most of the time they are not even allowed to work," he criticizes. "Instead, we should promote the productive potential of these people, because they are often among the most motivated of all."

The Andan Foundation, which Kälin founded, is therefore working on the project of a model city for refugees. He uses city-states such as Hong Kong, Singapore and Dubai, which have achieved great prosperity, as historical models. "It is crucial that such a city is given a stable legal framework."

Kälin expects investments in the order of \$700 million, with his sights set primarily on private investors. He won't name partners, but says the response so far has been very positive, especially in the technology sector. "This is a humanitarian project that also offers an interesting business plan."

Companies get the chance to build state-of-the-art infrastructure and implement novel systems of sustainability. Those who take the risk of investing can also benefit from rising land prices, he adds.

Kälin puts the number of residents at tens of thousands in an initial phase, but millions of people would settle in such cities over time. "The trend toward urbanization continues. Only with new cities can we meet the environmental challenges."

Among the project's sponsors is Stephen Klimczuk-Massion, a strategy consultant at Kearney and formerly with the World Economic Forum. "Western countries need to think more creatively about the unresolved refugee and migrant crisis," he says. He recalls that Europe also counted more than 10 million displaced people after World War II. "Countries like Canada, Australia or the United States owe much of their success to immigrants. We should take our cue from this model."

Kälin is in contact with several states about providing territory in sparsely populated regions. He emphasizes that there is no shortage of potential land areas, but the challenge is the willingness to commit to a visionary idea.